

## Message Text

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ACTION ARA-06

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FM AMEMBASSY MEXICO

TO SECSTATE WASHDC IMMEDIATE 9046

C O N F I D E N T I A L MEXICO 15379

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TREASURY, NSC, FRB ONLY

E. 9. 11652: GDS

TAGS: EFIN, MX

SUBJECT: MEXICAN ECONOMIC SITREP

1. EXCHANGE SYSTEM. THURSDAY DEC 2, PESO CLOSED AT 19.50 TO BUY DOLLARS VS. 21.00 TO SELL. FRIDAY, DEC. 3, IT CLOSED AT 20.00 AND 21.50 RESPECTIVELY. TODAY, DEC. 6, IT CLOSED AT 20.00 AND 21.00. MARKET APPEARS STABLE AND RELATIVELY DEEP IN THAT TRANSACTIONS OF ONE MILLION DOLLARS OR SO DO NOT AFFECT MARKET PRICE. HOWEVER, TRANSACTIONS OF FIVE MILLION OR MORE REPORTEDLY DO EXERT PRESSURE ON MARKET RATE. BANKERS CATEGORICAL IN STATING BANCO DE MEXICO NOT IN MARKET NOR TRYING TO INFLUENCE IT. BANOC DE MEXICO WILL NOT BUY CASAS DE VALORES LONG OR SHORT POSITION AT END OF DAY, FORCING BANKS TO ASSURE THEY FINISH DAY AS CLOSE TO COVERED POSITION AS POSSIBLE. HOWEVER BANCO DE COMERCIO HAS NOT SEEN ANY TRANSACTIONS FOR PUBLIC ENTERPRISE AND CONCLUDE THAT BANCO DE MEXICO IS HANDLING EXCHANGE NEEDS FOR THEM. THERE APPEARS TO BE NO INTER-BANK OR INTER-CASA TRADING DURING DAY BUT SOME MAY BE ARRANGED AT END OF DAY TO COVER OPEN POSITIONS.

2. OTHER ECONOMIC FRONTS. MEXICAN BANKERS REPORT THAT SINCE LOPEZ PORTILLO'S INAUGURAL SPEECH DEC. 1 THEY FIND RENEWED CONFIDENCE AMONG MAJOR CUSTOMERS AND BUSINESS HAS PICKED UP. ON FRIDAY, LOPEZ PORTILLO, AND HIS  
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NEW TREASURY SECRETARY, RUDOLFO MOCTEZUMA INVITED OVER 100

BUSINESSMEN, BOTH MEXICAN AND FOREIGN, TO BREAKFAST. THIS MEETING WAS DELIBERATELY NOT PUBLICIZED ALTHOUGH PRESS DID EVENTUALLY NOTE THAT IT HAD OCCURRED. WE HEAR THAT MOCTEZUMA ASSURED BUSINESSMEN THEY HAD NOTHING TO FEAR FROM NEW GOVERNMENT WHICH WOULD FOLLOW THE CONSTITUTION. JLP DID NOT SPEAK, HOWEVER. REPORT-EDLY BUSINESSMEN LEFT HIGHLY IMPRESSED. WE HAVE ALSO HEARD THAT FOR THREE WEEKS PRIOR TO DEC. 1 MOCTEZUMA HAD BEEN SEEING IMPORTANT BUSINESSMEN AND ASKING THEM WHAT THEY WOULD NEED FROM THE NEW GOVERNMENT. HE MADE A POINT OF CAREFULLY NOTING THEIR REPLIES BUT MADE NO PROMISES.  
JOVA

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